



The Consumer Price Index Overlooks the Cost of Living Crisis in Homeowners' Insurance

Alla Semenova, St. Mary's College of Maryland

The Consumer Price Index (CPI), which is the most common measure of inflation, shows a decline in inflation from its 8% peak in 2022, but many U.S. homeowners continue to struggle with the rising cost of living. Aside from elevated food prices, the cost of homeowners' insurance has been skyrocketing. Climate change has been one of the key factors driving this cost increase. As climate change-driven weather extremes and natural disasters have been intensifying, residential property damage and destruction have been soaring. In response, home insurers across the U.S. have been raising premiums to mitigate the surge in payouts for insured losses. According to [S&P Global](#), the national calculated weighted average effective rate increase for homeowners' insurance was 12.7% in 2023, and another 10.4% in 2024. For comparison, the rate of [CPI inflation](#) was far lower at 4.1% and 2.9% in 2023 and 2024, respectively. As policy-makers use the CPI as their primary guide to the cost of living changes, they may overlook the cost of living crisis in homeowners' insurance.

A Major Cost Missing from Official Inflation Measures

While the cost of homeowners' insurance has been surging across many parts of the US, [this cost](#) is not reflected in the CPI. While the "Shelter" component of the CPI includes "Tenants' and Household Insurance", it only takes into account the cost of [renters' insurance](#) ("[contents coverage insurance for tenants of rental housing and households](#)"). The cost of homeowners' insurance is explicitly excluded from the CPI calculation: "[insurance on physical damage to structures and liability coverage included in homeowners' policies as well as insurance on commercial properties are excluded from the index.](#)" Unlike homeowners' insurance, the cost of renters' insurance has been [relatively stable](#). Consequently, by excluding the rising cost of homeowners' insurance, the CPI has been underreporting the upsurge in homeowners' living expenses. At the same time, the CPI has been failing to adequately account for the growing economic costs of climate change.

Currently, the "Tenants' and Household Insurance" component of the CPI is [weighted at 0.4%](#). If the cost of homeowners' insurance was included instead and held at the same weight, the rate of the CPI inflation would have been greater. For example, according to [JP Morgan Asset Management analysts](#), the rate of the CPI inflation in 2023 would have been nearly 0.8% greater if the cost of homeowners' insurance was included in lieu of the renters' insurance. By excluding the cost of homeowners' insurance, the CPI has been underreporting the rise in the cost of living for the US homeowners. As JP Morgan Asset Management analysts have put it, the "[U.S. homeowners have been experiencing "shadow inflation" beyond what the traditional CPI index would suggest.](#)"

Despite declining rates of CPI inflation, the cost-of-living crisis has been deepening for the US homeowners. As climate change-driven weather extremes and natural disasters have been amplifying insured losses for the homeowners' insurance industry, home insurance premiums have been [skyrocketing](#). However, the rapid rise

in the price of homeowners' insurance has not been reflected in the CPI, remaining a "hidden" cost of living driver when it comes to official inflation measures.

Federal Action Required to Lower Cost of Homeowners' Insurance

Climate change-driven weather extremes and natural disasters are projected to further magnify insured losses for the homeowners' insurance industry. As a result, homeowners' insurance premiums are expected to increase further. Given the **current crisis** of homeowners' insurance affordability and availability, **the federal government needs to take action aimed at lowering the cost and improving the affordability of homeowners' insurance.**

As noted in the 2025 Federal Insurance Office *Annual Report on the Insurance Industry*, federal support of residential resilience measures could be an important insurance cost mitigation strategy. Residential resilience measures are aimed at reducing the frequency and severity of insured losses, and include infrastructural improvements such as roof reinforcements, hurricane shutters, impact-resistant windows, sprinkler systems installations, and other hazard-specific home retrofitting measures. In addition to supporting home resilience measures, the federal government could consider means-tested or income-based home insurance premium subsidies for homeowners.

Further, to improve the affordability and availability of homeowners' insurance policies, federal regulation of the homeowners' insurance industry may be necessary. While the US has a state-based system of homeowners' insurance regulation, Congress could pass legislation granting direct regulatory authority to the Federal Insurance Office and the Financial Stability Oversight Council.

Lastly, the direct cost of homeowners' insurance needs to be included in the CPI, such that this widely used inflation measure provides a more adequate picture of rising living expenses and growing economic costs of climate change. The renters' insurance equivalence approach, as practiced by the Bureau of Labor Statistics, is no longer feasible, given the rapid rise in homeowners' insurance premiums, driven by the physical impacts of climate change on residential property structures.

Homeowners' insurance premiums have been escalating as climate change-driven weather extremes and natural disasters have been inflicting increasingly more residential property damage and destruction, creating cascading losses for the homeowners' insurance industry. However, the rapid rise in the cost of homeowners' insurance has not been reflected in traditional inflation measures, such as the CPI. While the CPI has been falling from its 2022 peak, homeowners have been struggling with the rising burden of homeowners' insurance. Given the current crisis of homeowners' insurance affordability, federal policy measures aimed at reducing the cost of homeowners' insurance are critical for the wellbeing of homeowners and the country's financial health.